

# PROPOSED RESOLUTION

Resolution W-5072  
DWA

AGENDA ID #14457

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-5072  
December 3, 2015

### RESOLUTION

**(RES. W-5072) LUKINS BROTHERS WATER COMPANY. ORDER APPROVING REQUEST TO PERMIT PAYMENT OF WATER BILLS USING A CREDIT OR DEBIT CARD OR AUTOMATIC CLEARING HOUSE/ELECTRONIC CHECK AS BILL PAYMENT OPTIONS.**

**By Advice Letter No. 63-W filed on September 28, 2015.**

### SUMMARY

This Resolution approves Lukins Brothers Water Company (Lukins) request to allow customers, at the customers' option, to pay their water service bills using a credit or debit card or Automatic Clearing House/electronic check through a third party vendor for a fee. For each credit or debit card or Automatic Clearing House/electronic check payment, the third party vendor will charge a non-refundable fee of \$3 per \$100 transaction. Customers may pay their water bills using one of these payment options in person; via telephone; through a provided internet/web-based system; or through a Customer Service Representative-assisted system. The \$3 per \$100 fee is charged directly to the customer by the third party vendor, and this will produce no revenue for Lukins itself. Approval of bill payment using a credit or debit card or Automatic Clearing House/electronic check system is conditioned on Lukins establishing a memorandum account to track expenses as authorized by the Commission in this Resolution. Lukins is to record all current and future costs currently included in base rates associated with the proposed payment options and any savings arising from the reduced number of shutoffs associated with timely payment of bills using the new payment options. Any net balance in the memorandum account shall be refunded to customers in Lukins' next general rate case.

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In sum, Lukins will not receive any revenue from the \$3 per \$100 transaction fee; customers not utilizing the credit or debit card or Automatic Clearing House/electronic check payment option will not incur any fee or other expenses associated with these payment options; and water service and rates shall not be affected by the approval of these payment options.

## **BACKGROUND**

Lukins filed Advice Letter (AL) No. 63-W on September 28, 2015, seeking Commission authorization to offer the following payment options for a Lukins bill for a transaction fee:

- (a) Utilizing an internet/web portal or Customer Service Representative-assisted (CSR) system using credit or debit cards or Automatic Clearing House/electronic (ACH/electronic) check provided by a third party vendor, for a nonrefundable \$3 per \$100 transaction fee charged directly by the vendor to the customer.
- (b) Open a Payment Processing Costs Memorandum Account to track the additional costs or savings Lukins may incur for use of the [bill paying option] service including fees charged to Lukins for additional services (i.e. Paperless Bill Presentment), employee training costs, and incremental charges to general administrative expenses that result from the proposed payment options and transaction fees.

### *Lukins' Proposed Payment Options*

Lukins seeks authority to utilize a third-party vendor to offer its customers electronic bill payment options using credit or debit cards or ACH/electronic check for payment of water bills - for a non-refundable transaction fee of \$3 per \$100 charged directly to the customer by the vendor.

### *Proposed Payment Options*

Lukins requests the Proposed Payment Options in response to suggestions from its customers. Customers told Lukins' CSRs and sent Lukins emails that they wanted the

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opportunity to utilize electronic payment options. Lukins filed AL No.63-W in response to that customer interest.

Lukins asserts that the program is being offered as a service to its customers and not as a cost savings measure and will not improve the company's profitability. However, Lukins opines that providing these payment options might lead to fewer bill delinquencies and shut-offs that could save customers re-connection fees and save Lukins office staff time on delinquency collections.

The company further asserts that it will not receive any revenue from the service; customers not utilizing this service will not incur any fee or other expenses; and water service and rates will not be affected by the proposed payment options.

## *Vendor Selection and Proposed Contract*

Lukins requested proposals for the Proposed Payment Options from four vendors:

- BASYS Processing
- Plumas Bank
- Hammer Enterprises
- Paymentus

After a thorough review of the proposals, Lukins recommends using Hammer Enterprises (Hammer) for electronic bill presentation and payment processing because Hammer's proposal is the only one that meets all of the following criteria that Lukins requested:

- Revenue-neutral credit card, debit card, and ACH/electronic check payment processing with no revenue generated or cost to Lukins.
- A web-based payment option.
- Ability to make credit card or debit card payments at Lukins' offices.
- Ability for customers to make payments after hours and on weekends.
- Lukins to receive payments notification at nearly real-time or within 24 to 48 hours (maximum).
- Lukins to have the ability to customize the implementation and management of any web-based payment option.

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- Lukins' Customer Service Representatives (CSR) should have the ability to take payments over the telephone.

Hammer proposes charging each customer for each electronic bill paying transaction a non-refundable fee of \$3 per \$100. This fee will be charged directly to the customer if the customer uses a credit or debit card or ACH/electronic check payment option in person, via telephone, through an internet web/based system or through a CSR-assisted system. The \$3 per \$100 transaction fee is the only fee Hammer will charge for utilizing the bill payment options approved in this Resolution.

Hammer may charge implementation and setup fees pursuant to Hammer's Pricing Proposal and Lukins, the Company, will pay these fees as well as any other Hammer or bank-related fees incurred as a result of establishing the electronic bill-paying options. These payments by Lukins will not be passed on to Lukins water customers in the form of a direct fee or charge assessed to those customers. Lukins may track any such payments in the memorandum account authorized by this Resolution and may be offset against any savings realized by the payment options.

## **NOTICE**

On September 28, 2015, Lukins filed and served AL No. 63-W on parties on its AL service list. Service meets the requirements of General Order (GO) 96-B, General Rule 4.3.

## **SAFETY**

As this resolution authorizes payment of water bills using a credit or debit card, or automatic payment options, there are no safety implications.

## **DISCUSSION**

### ***Compliance with Public Utilities Code § 755***

Public Utilities (PU) Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission. This code section also allows the reasonable expenses incurred by providing these electronic options to be recovered only from those customers choosing to use the approved payment option. No portion of these electronic payment option expenses may be shifted to customers that do not

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choose to use one of these payment options, unless and until the Commission determines that the credit or debit card payment option results in savings to ratepayers that exceed the net costs of accepting payment by those cards. (PU Code § 755(a)(2)).

### *Reasonableness of \$3 per \$100 Transaction Fee*

PU Code § 755(c) requires the Commission to make a determination regarding the reasonableness of transaction costs charged to customers who use a credit or debit card option. Lukins states that the \$3 per \$100 fee per transaction proposed by Hammer is competitive with other service providers and is commensurate with the convenience provided to customers choosing one of these payment options. In addition, as Lukins states in its AL, charging the \$3 per \$100 fee only to customers voluntarily choosing an electronic payment option is compliant with PU Code §755(a)(2). No portion of any expenses associated with these payment options are shifted to other customers not choosing to pay their water bill with an electronic payment option.

The \$3 per \$100 fee that Hammer proposes to directly charge customers voluntarily using one of the electronic payment options compares favorably with charges that we authorized on January 29, 2015 for Backman Water Company in Resolution W-5018. We find that the proposed fee for this optional service is reasonable and should be approved.

PU Code § 755 (a)(3) requires that the acceptance of credit or debit cards neither increases nor decreases the profitability of the water corporation. Lukins states that since Lukins receives no portion of the \$3 per \$100 transaction fee Hammer will charge directly to Lukins customers choosing to use an electronic payment option, this proposal is fully compliant with PU Code § 755 (a)(3).

### *Establishment of Memorandum Account*

In its September 28, 2015 AL filing, Lukins requests authorization to open a Payment Processing Costs Memorandum Account to track the additional costs and savings Lukins may incur for use of the bill payment option service including fees charged to Lukins for additional services (i.e. Paperless Bill Presentment), employee training costs and incremental charges to general administrative expenses that result from the proposed electronic bill payment options.

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The Commission grants this request and directs Lukins to open a memorandum account to track all the transaction costs incurred by offering the credit or debit or ACH/electronic check voluntary payment options for customers. Lukins may also book into this account any implementation or access fees that are paid by the Company to setup and establish the payment options.

Lukins opines and the Commission agrees, that in other situations where the Commission has approved electronic bill payment options for water utilities the utilities realize savings from fewer service disconnections per month because of timely bill payments. In addition, there could be Lukins office staff savings since less time might be spent on delinquent bill collection.

Lukins is to book into this memorandum account both any costs it incurs or pays as well as any potential savings it realizes from the implementation of the electronic bill payment options. Then "If the commission determines that the savings to the . . . water corporation exceeds the costs to the . . . water corporation, the net savings *shall* be passed on to . . . water corporation customers." PU Code § 755(c)(3) (emphasis added).

Therefore, as a condition of our approval of Lukins' request to offer its proposed optional payment services, we require Lukins to establish a memorandum account to book the following: all costs previously authorized in rates that have been used to develop this offering; the cost of noticing the program; and savings from reduced number of shutoffs associated with timely payment of bills using the proposed payment options. The net balance in the memorandum account shall be reviewed as part of Lukins' next general rate case. Further, in its next general rate case filing, Lukins shall remove all costs associated with the credit or debit card or ACH/electronic check payment program that are included in base rates. The costs that are removed from base rates can either be charged to customers who use the proposed optional payment option or absorbed by Lukins, the Company. This will ensure compliance of Lukins' proposed payment options with PU Code § 755. This is also consistent with our policy adopted in Resolution W-5018 on January 29, 2015 for Backman Water Company.

### COMMENTS

Since no protest or response was received to AL No.63-W, PU Code § 311(g) (3) permits uncontested matters pertaining to water corporations to proceed without a 30 day

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public review and comment period. As such, this resolution was not circulated for comment.

## FINDINGS AND CONCLUSIONS

1. Lukins Brothers Water Company (Lukins) filed Advice Letter (AL) No.63-W requesting authority to offer its customers options to pay their water bills using a credit or debit card or Automatic Clearing House/electronic (ACH/electronic) check and requesting authority to establish a memorandum account to track expenses and savings associated with the proposed payment options.
2. Lukins served AL No. 63 -W on its service list on September 28, 2015. This service is considered sufficient notice under General Order 96-B, General Rule 4.3.
3. Public Utilities Code § 755 permits water utilities to offer a credit card or debit card bill payment option if approved by the Commission.
4. Public Utilities Code § 755 requires that only those customers choosing to use the credit or debit card bill payment option incur the additional charges associated with providing this service, unless the Commission determines that the credit or debit card bill payment option results in savings to ratepayers that exceed the net cost of accepting payment by those cards.
5. Public Utilities Code § 755 requires the Commission to determine the reasonableness of transaction costs charged to customers that choose to pay the water corporation using an electronic option, credit or credit card or ACH/electronic check, and the Commission finds that the \$3 per \$100 non-refundable charge per transaction that the third-party vendor, Hammer Enterprises (Hammer) will directly charge a customer using an electronic payment option reasonable.
8. Customers who do not elect to use the Proposed Payment Options will not be charged for any costs related to providing this service.
9. Lukins also requested authorization in AL No. 63-W to open a Payment Processing Costs Memorandum Account (memo account) to track the additional costs and savings Lukins may incur for use of the bill payment option service including fees

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charged to Lukins for additional services (i.e. Paperless Bill Presentment), employee training costs and incremental charges to general administrative expenses that result from the proposed electronic bill payment options.

10. Hammer's Payment Proposal to Lukins includes implementation and access fees for the initiation of the payment options and Lukins, the Company, will pay these fees, will not pass the fees on to any customers not utilizing an electronic payment option, and will be allowed to book these costs in the memo account.
11. Lukins will incur additional fees for establishing the proposed electronic payment options including, but not limited to programming, testing and training of its staff, including extra CSR training, and updating accounting records. It is reasonable that Lukins track all these associated costs for implementation of the electronic payment options in the memo account.
12. Lukins shall also track all verifiable savings from reduced shut offs because of credit or debit card or ACH/electronic check payments by customers. Lukins shall track these in the memo account. The net balance, if any, in the memorandum account will be reviewed as part of Lukins' next general rate case.
13. It is reasonable for Lukins to establish the Payment Processing Costs Memorandum Account to track the abovementioned costs.
14. It is reasonable for Lukins to modify its Tariff Rule No. 9 to establish a credit or debit card or ACH/electronic check bill program option consistent with Appendix A attached to this Resolution.

### **THEREFORE IT IS ORDERED THAT:**

1. Lukins Brothers Water Company's request in Advice Letter No. 63-W to allow customers to pay their water service bills using a credit or debit card or Automatic Clearing House/electronic check payment option, in person, via telephone, using an on-line customer payment web portal, or Customer Service Representative-assisted system, through a third party vendor, for a non-refundable per transaction fee charged directly to the customer, is approved.

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2. Establishment of the bill payment option adopted in Ordering Paragraph 1 above is conditioned on Lukins Brothers Water Company establishing the Payment Processing Costs Memorandum Account to record all current and future costs currently included in base rates associated with the costs of providing the electronic payment options and any savings arising from the reduced number of shutoffs associated with timely payment of bills using these payment options. Lukins Brothers Water Company shall file a supplement to Advice Letter 63-W with a preliminary statement to establish this memorandum account within 30 days of this Resolution.
3. Any net balance in the memorandum account established in Ordering Paragraph 2 above shall be reviewed in Lukins Brothers Water Company's next general rate case.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 3, 2015; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

# APPENDIX A

## Rule No. 9

### RENDERING AND PAYMENT OF BILLS

#### A. Rendering of Bills

Bills for service will be rendered each customer on a monthly or bi-monthly basis at the option of the utility, unless otherwise provided in the rate schedule.

At the customer's request, the utility may be requested to provide either paper or electronic bills for rendered service, but not both.

(N)

The customer may elect to receive and view regular bills for service and other legal and mandated notices electronically and to no longer receive paper bills and legal and mandated notices. Customers requesting this option may be required to complete additional forms and agreements. Legal and mandated notices shall be included with the utility's electronic means of bill delivery; except however, all notices of termination of service shall be made in accordance with Rule No. 8. The customer may discontinue electronic billing upon 30 days prescribed notice.

(N)

#### 1. Metered Service

- a. Meters will be read at regular intervals for the preparations of periodic bills and as required for the preparation of opening bills, closing bills, and special bills.
- b. The opening bill for metered service will not be less than the established monthly minimum of readiness-to-serve charge for the service. Any amount paid in excess of the prorated charges otherwise applicable to the opening period will be credited against the charge for the succeeding regular billing period, except that no such credit shall accrue if the total period of service is less than one month.
- c. It may not have always been practicable to read meters at intervals which will result in billing period of equal numbers of days.
  - (1) Should a monthly billing period contain less than 27 days or more than 33 days a pro rata correction in the amount of the bill will be made.
  - (2) The charge for metered service for a bi-monthly period will be computed by doubling the monthly minimum or readiness-to-serve charge and the number of cubic feet to which each block rate is applicable on a monthly basis.

(continued)

(cont.)

# APPENDIX A

## Rule No. 9

### RENDERING AND PAYMENT OF BILLS

(continued)

- A. 1. c. (3) For billing periods other than monthly or bi-monthly, adjustments will be made proportionate to that for a monthly billing period. (L)
- d. Bills for metered service will show at least the reading of the meter at the end of the period for which the bill is rendered, the meter constant, if any, the number and kinds of units, and date of the current meter reading.
- e. Each meter on a customer's premises will be considered separately and the readings of two or more meters will not be combined except where combination of meter readings is specifically provided for in the applicable rate schedule, or where the utility's operating convenience or necessity may require the use of more than one meter or a battery of meters. In the latter case, the monthly minimum or readiness-to-serve charge will be prorated from the monthly minimum or readiness-to-serve charges of the applicable rate schedule upon the basis of a meter size, equivalent in diameter to the total combined discharge areas of such meters.
2. Flat Rate Service
- a. Bills for flat rate service area payable in advance.
- b. The opening bill for flat rate service will be the established monthly charge for the service. Any amount paid in excess of the prorated charges otherwise applicable to the opening period will be credited against the charge for the succeeding regular billing period, except that no such credit shall accrue if the total period of service is less than one month.
- c. For billing periods other than monthly, the charge for flat rate service will be computed by multiplying the monthly charge by the number of months in the billing period.
3. Proration of Bills
- a. The charges applicable to opening periods, closing bills, and bills rendered for periods corresponding to less than 27 days or more than 33 days for monthly billing periods will be computed as follows: (L)

(continued)

(cont.)

# APPENDIX A

## Rule No. 9

### RENDERING AND PAYMENT OF BILLS

(continued)

A. 3. a. (1) Metered Service (L)

The amount of the minimum charge (and the quantity allowed therefore) or the readiness-to-serve charge and the quantity in each of the several quantity rate blocks will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period. The measured quantity of usage will be applied to such prorated amounts and quantities.

(2) Flat Rate Service

The billing period charge will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period.

(3) Average Billing Period

The number of days in an average billing period is defined as 365 divided by the number of billing periods in a year. (It is 30.4 days for a monthly billing period.)

B. Payment of Bills

Bills for service are due and payable upon presentation and payment may be made at any commercial office of the utility or to any representative of the utility authorized to make collections. Collection of closing bills may be made at the time of presentation.

1. The utility may charge \$20.00 for any bad check or electronic fund transfer not honored

(L)

(continued)

(cont.)

# APPENDIX A

## Rule No. 9

### RENDERING AND PAYMENT OF BILLS

(continued)

#### B. Payment of Bills (continued)

(N)

#### (2) Credit Card, Debit Card, and ACH/Electronic Check Payment Options

At the option of the customer, a credit card, debit card, or ACH/electronic check payment may be Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.

(N)

END OF APPENDIX A

**Lukins Brothers Water Company**  
**Advice Letter 63**  
**Service List**

City of South Lake Tahoe  
Administrative Center  
1901 Airport Blvd.  
So. Lake Tahoe, CA 96150

El Dorado County  
Development Services Dept.  
3368 Lake Tahoe Blvd., Suite 302  
So. Lake Tahoe, CA 96150

South Tahoe PUD  
1275 Meadow Crest Dr.  
South Lake Tahoe, CA 96150

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